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July 29, 1994

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

Re: CC Docket No. 92-77

Dear Mr. Caton:

Enclosed for filing are the original and nine (9) copies of the Comments of Operator Service Company for the Further Notice of Proposed Rulemaking in CC Docket No. 92-77.

Please acknowledge receipt of this filing by date-stamping the extra copy of this cover letter and returning it to me in the self-addressed, stamped envelope provided for this purpose.

Questions regarding this filing may be directed to me at (407) 740-8575.

Yours truly,

*Nanci Adler*

Nanci Adler  
Consultant to OSC

cc: K. Smith, OSC  
FCC Contractor, ITS  
to file: OSC-FCC

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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

In the Matter of )  
 ) CC Docket No. 92-77  
Billed Party Preference )  
for 0+ InterLATA Calls )

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ANY  
RULEMAKING

COMMENTS OF  
OPERATOR SERVICE COMPANY  
ON FURTHER NOTICE OF PROPOSED RULEMAKING

Operator Service Company  
1624 Tenth Street  
Lubbock, Texas 79401-2607  
(800) 658-6041

Nanci Adler  
Technologies Management, Inc.  
P.O. Drawer 200  
Winter Park, FL 32790-0200  
(407) 740-8575

Consultant to  
Operator Service Company

Dated: July 29, 1994

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Specific traffic data from hotels served by a competitive operator service provider indicates that, *excluding "800" calls*,<sup>1</sup> over fifty percent (50%) of the operator assisted calling is handled by a carrier other than the presubscribed operator service provider.<sup>2</sup> This is a clear evidence of an educated consumer base and the acceptance of access code dialing.

A recent Pacific Bell tariff filing provides further evidence of the success of access code dialing. On June 23, 1994 Pacific Bell filed a tariff revision in California in direct response to the prevalence of dial-around calling (in particular, 1-800-Call AT&T, 1-800-Collect and 1-800-Operator access code dialing). Pacific Bell's filing with the California Public Utilities Commission asserts that these types of "non-0+ revenue-producing carrier access calling programs" have "significantly reduced" the number of 0+ calls made from pay telephones. This tariff filing is provided in Exhibit I.

The meaningful change in calling patterns clearly shows that consumers have learned to accept and use access code dialing - even when faced with a significant alteration of dialing patterns. Future possible changes in access code dialing (i.e. number of digits or change in access code patterns) will be minor compared to the first hurdle of teaching consumers to use an access code.

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<sup>1</sup> "800" calls were not included in the data because they were sent over hotel direct "1+" lines and were not processed by the operator service equipment.

<sup>2</sup> Oct. 1993 - June 1994 data of U.S Osiris Corporation.

There is no evidence to suggest that future "10XXX" dialing pattern changes would negatively impact consumer use of access codes.

## **II. Costs of Billed Party Preference**

The Commission seeks comments on the estimate of operator service providers BPP-related costs. Most of the Commission's discussions concerning cost of BPP have focused on the costs of implementing the BPP system. However, the costs should also include the lost investment in networks and operator centers that will become worthless. OSC does not have a presubscribed customers base and provides its services through aggregator locations. As a result, the implementation of BPP will put OSC out of business. For OSC, the cost of implementing BPP is loss of \$2.65 million invested in the creation an operator center and installing the necessary switching equipment, developing proprietary software to ensure state-of-the-art service and training employees. The cost of stranded investment is minor compared with the costs of eliminating 160 jobs and future income stream to individuals in Lubbock, Texas. These costs and the negative impact of BPP on small businesses such as OSC must not be overlooked. Extrapolating OSC's investment and employment figures to estimate the of the operator service market served by similar small businesses, and assuming that OSC is an average company among 400 operator service providers, implementation of BPP will cost 64,000 jobs and over \$1 billion in lost investment.

There is no need to eliminate companies such as OSC from the marketplace. OSC has never received a formal complaint through any state or federal regulatory agency, even though it handles over 200,000 calls per month. OSC provides high quality service and is proud of the skill levels of its employees and its operational efficiency. OSC is a good employer in a small city where jobs are often difficult to find.

OSC's rates may be higher than AT&T's rates, but they are not unreasonably high. Income generated by the company benefits employees and aggregators and the general public through the products of research and development efforts. In other words, OSC is providing a service to consumers that benefits many and generates very few problems.

If the Commission has determined that some action is necessary to correct abuses of the marketplace by a few errant operator service providers, then the Commission's actions should be directed at the individual companies that have caused the abuses. It is an unnecessary and extreme reaction to implement a costly and unproven system-wide BPP scheme when a more effective solution to the problem may be straightforward handling of the specific market abuses. The Commission could, for example, ask those companies with extremely high rates to cost-justify their rates. Not only would such proceedings be much less expensive to the nation than implementing BPP, but the impact would be felt more quickly. BPP,

an unknown system, may take years to implement.

The costs of any solution must not only be weighed against the benefits of the solution, but also to other comparable solution alternatives. Even if a solution is found to outweigh its costs, a less expensive but comparable solution would better serve the public interest. The comparable alternatives to BPP - increased consumer education of access code dialing, regulatory enforcement of non-blocking requirements, and regulatory action against system abusers - are considerably less expensive, and can be implemented in a shorter time frame than BPP. While the technological aspects BPP may be alluring to some, this is a case where technology is outdone by old-fashioned regulatory enforcement and market safeguards.

Finally, it is important to recognize that the magnitude of dial-around calling makes BPP even less cost-justifiable. Since dial-around methods already impacts a large portion of operator assisted calls, BPP will impact a reduced portion of the market - thereby increasing the per-call cost of the BPP system.

### **III. Efficiency of Pricing**

The FNPR suggests that BPP would result in more efficient pricing. The FCC states: "In particular, BPP would prevent premises owners from using artificially high operator service rates to cross-subsidize artificially low prices for other goods and

services." (FNPR, paragraph 12). The Commission has no data to support the assertion that rates for the telecommunications services provided through aggregator locations are "artificially high," nor does it have data indicating that services are subsidized, or that subsidized services are artificially low. It would be equally correct to assert that the implementation of BPP forcing carriers to compete at rates that have not been proven to cover costs could cause premises owners to price other goods and services (i.e. a hotel room) artificially high to cross-subsidize the telecommunications services and equipment.

It is false to claim that BPP will result in more efficient pricing to consumers. Insertion of pricing mechanisms into the marketplace often results in convoluted pricing, not more efficient pricing. In fact, OSC's payment of commissions to aggregators is payment to compensate for the utilization of and investment in the telecommunications equipment used in placing the call.

#### **IV. Conclusion**

BPP is a costly, extreme and unnecessary measure to address market abuses by a few companies. Among the costs of implementing BPP are the small business that will undeservingly be driven out of business. The perceived problems with the operator services market can be resolved in a considerably less expensive and more timely manner - regulatory confrontation with the individual companies causing consumer complaints.



From any perspective, the costs associated with BPP - whether they are \$100 or \$800 million a year, or a billion dollars for initial implementation - are exceeding high. These cost are far greater than any costs imaginable associated with an equally if not more effective manner of addressing the issues facing this industry: the combined efforts of regulatory action against individual companies (for either rate justification reasons or noncompliance with nonblocking requirements) and a campaign to promote consumer awareness of access code dialing.

Respectfully submitted this 28<sup>th</sup> day of July, 1994.

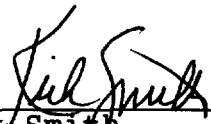
  
\_\_\_\_\_  
Kirk Smith  
President  
Operator Service Company  
1624 Tenth Street  
Lubbock, TX 79401

Exhibit I

Pacific Bell  
Advice Letter No. 17014  
Filed with the California Public Utilities Commission

Al Swan  
Executive Director  
Regulatory

140 New Montgomery Street, Room 1718  
San Francisco, California 94105  
(415) 774-2333

**PACIFIC BELL**  
A Pacific Telesis Company

June 23, 1994

U 1701 C  
Advice Letter No. 17014

Public Utilities Commission of the State of California

We attach for filing the following changes in tariff sheets:

SCHEDULE CAL.P.U.C. NO. A6.

137th Revised Check Sheet A  
13th " Sheet 11  
Original " 11.1

This filing revises Schedule Cal.P.U.C. No. A6. Message Telecommunications Service, 6.2.1 Rates and Charges, to clarify the types of calls to which the \$.25 Pay Station Service Charge ("PSSC") applies.

Pacific Bell ("Pacific") presently bills the PSSC on all 0+ calls, as authorized by the Commission in D.90-06-018. This tariff revision specifies the types of revenue-producing calls to which the PSSC should apply.

In Decision 90-06-018 the Commission directed that the PSSC be revenue neutral. As a result, Pacific reduced certain operator services surcharges (i.e., the Calling Card surcharge, from \$.40 to \$.35 and the Collect surcharge, from \$1.00 to \$.95) in order to ensure revenue neutrality.

Since this tariff became effective, the interexchange carriers have introduced a variety of non-0+ revenue-producing carrier access calling programs including 1-800-Call AT&T, 1-800-Collect and 1-800-Operator. These new call types have significantly reduced those calls to which the PSSC applies under the literal wording of the tariff. The Commission had no way of anticipating the creation of these new call types at the time it issued D.90-06-018. However, it is clear from a reading of that decision that the Commission intended that the PSSC should apply to any revenue-producing 0+ or similar carrier access call where the carrier completes an intraLATA carrier access call.

Pacific has lost approximately \$2.9 million in annual revenue to which it otherwise would have been entitled from application of the PSSC to these intraLATA carrier access calls. The \$2.9 million refers only to PSSC revenue and not to operator service charges nor message toll rates. Our goal in modifying the tariff is simply to restore the requisite revenue neutrality.

## PACIFIC BELL

We are notifying end-user customers of the PSSC through current dial instruction cards. Those cards notify customers that the PSSC will apply to all 0+ dialed intralATA calls.

In compliance with Section III. G. of General Order No. 96-A, we are mailing a copy of this advice letter and related tariff sheets to competing and adjacent Utilities and/or other Utilities, and interested parties, as requested. We are additionally mailing copies to those parties on record for Decision 90-06-018.

This filing will not increase any rate or charge, cause the withdrawal of service, nor conflict with other schedules or rules.

Anyone may protest this advice letter to the California Public Utilities Commission. The protest must set forth the specific grounds on which it is based, including such items as financial and service impact. A protest must be made in writing and received within 20 days of the date this advice letter was filed with the Commission. The address for mailing or delivering a protest to the Commission is:

Chief, CACD Telecommunications Branch  
505 Van Ness Avenue, Room 2202  
San Francisco, CA 94102

A copy must be mailed to the undersigned utility on the same date it is mailed or delivered to the Commission.

We would like this filing to become effective August 2, 1994.

Yours truly,

PACIFIC BELL



Executive Director

Attachments

Pacific Bell  
San Francisco, California

SCHEDULE CAL.P.U.C. NO. A6.

137th Revised Check Sheet A

Cancels 136th Revised Check Sheet A

## NETWORK AND EXCHANGE SERVICES

## A6. MESSAGE TELECOMMUNICATIONS SERVICES

LIST OF EFFECTIVE SHEETS

Sheets listed below are effective as of the date shown on each sheet.

Revision Number	Sheet	Revision Number	Sheet	Revision Number	Sheet	Revision Number	Sheet
133rd	CS A	Original <sup>2</sup>	13.1	1st	39.1	22nd <sup>6</sup>	67
134th <sup>4</sup>	CS A	5th	14	2nd	40	Original <sup>6</sup>	67.1
135th <sup>5</sup>	CS A	1st	14.1	3rd	41	23rd <sup>6</sup>	68
136th <sup>6</sup>	CS A	2nd	15	3rd	42	13th <sup>6</sup>	69
137th <sup>1</sup>	CS A	2nd	16	3rd	43	17th <sup>6</sup>	70
48th	CS B	2nd	17	3rd	44	2nd <sup>6</sup>	70.1
49th <sup>5</sup>	CS B	2nd	18	3rd	45	8th <sup>6</sup>	71
50th <sup>6</sup>	CS B	2nd	19	2nd	46	14th <sup>6</sup>	72
5th	CS B.1	2nd	20	2nd	47	18th <sup>6</sup>	73
6th <sup>5</sup>	CS B.1	2nd	21	2nd	48	4th <sup>6</sup>	73.1
7th <sup>6</sup>	CS B.1	3rd	22	2nd	49	9th <sup>6</sup>	74
17th	CS C	3rd	23	2nd	50	19th <sup>6</sup>	75
5th	CS C.1	3rd	24	2nd	51	11th <sup>6</sup>	76
83rd	CS D	3rd	25	2nd	52	15th <sup>6</sup>	77
2nd	ToC A	1st	25.1	2nd	53	13th <sup>6</sup>	78
5th	ToC B	2nd	26	2nd	54	21st <sup>6</sup>	79
4th	1	3rd	27	13th <sup>6</sup>	55	4th <sup>6</sup>	79.1
2nd	1.1	2nd	28	21st <sup>6</sup>	56	Original <sup>6</sup>	79.2
2nd <sup>4</sup>	1.2	4th	29	4th <sup>6</sup>	56.1	13th <sup>6</sup>	80
2nd	2	2nd	29.1	17th <sup>6</sup>	57	13th <sup>6</sup>	81
3rd	3	2nd	30	19th <sup>6</sup>	58	15th <sup>6</sup>	82
4th	4	2nd	31	13th <sup>6</sup>	59	16th <sup>6</sup>	83
3rd	5	3rd	32	15th <sup>6</sup>	60	10th <sup>6</sup>	84
3rd	6	2nd	33	18th <sup>6</sup>	61	19th <sup>6</sup>	85
3rd	7	2nd	34	22nd <sup>6</sup>	62	16th <sup>6</sup>	86
4th	8	2nd	35	19th <sup>6</sup>	63	13th <sup>6</sup>	87
5th	9	3rd	36	2nd <sup>6</sup>	63.1	15th <sup>6</sup>	88
5th	10	2nd	37	20th <sup>6</sup>	64	6th <sup>6</sup>	88.1
13th <sup>1</sup>	11	2nd	38	21st <sup>6</sup>	65	23rd <sup>6</sup>	89
Original <sup>1</sup>	11.1	3rd	39	18th <sup>6</sup>	66	3rd <sup>6</sup>	89.1
8th	12						
5th	13						

NOTE 1: Issued

NOTE 2: Advice Letter No. 16290 rejected October 6, 1992.

NOTE 3: Also known as Local Plus.

NOTE 4: Pending CPUC Approval of Advice Letter No. 16965.

NOTE 5: Pending CPUC Approval of Advice Letter No. 16982.

NOTE 6: Pending CPUC Approval of Advice Letter No. 16995.

(N)

Continued

Pacific Bell  
San Francisco, California

SCHEDULE CAL.P.U.C. NO. A6.  
13th Revised Sheet 11  
Cancels 12th Revised Sheet 11

NETWORK AND EXCHANGE SERVICES

A6. MESSAGE TELECOMMUNICATIONS SERVICE

(T)

6.2 STANDARD SERVICE OFFERINGS (Cont'd)

6.2.1 TWO POINT MESSAGE TELECOMMUNICATION SERVICE<sup>7</sup> (Cont'd)

(T)

A. GENERAL (Cont'd)

4. Rates and Charges (Cont'd)

1. Method of Applying Rates (Cont'd)

(12) Mileages and Corresponding Rates for Different Classes of Service

BASIC SCHEDULE

DAY RATE

Rate Mileage	Initial Period Station (Sent Paid)			(T)
	Dial <sup>2</sup> 1-Minute	Coin <sup>1,3</sup> 3-Minutes	Each Additional Minute All Classes of Service	
0- 8	\$ .17	\$ .30	\$ .07	
9- 12	.17	.30	.07	
13- 16	.20	.40	.10	
17- 20	.22	.45	.13	
21- 25	.25	.55	.16	
26- 30	.28	.70	.19	
31- 40	.31	.75	.22	
41- 50	.34	.85	.25	
51- 70	.37	.90	.28	
Over 71	.40	1.00	.31	

See Sheet 11.1 for all footnotes listed on this sheet.  
Material omitted now on Sheet 11.1.

(N)

Continued

NETWORK AND EXCHANGE SERVICES  
A6. MESSAGE TELECOMMUNICATIONS SERVICE<sup>7</sup>

6.2 STANDARD SERVICE OFFERINGS (Cont'd)

6.2.1 TWO POINT MESSAGE TELECOMMUNICATION SERVICE<sup>7</sup> (Cont'd)

A. GENERAL (Cont'd)

4. Rates and Charges (Cont'd)

a. Method of Applying Rates (Cont'd)

(12) Mileages and Corresponding Rates for Different Classes of Service  
(Cont'd)

NOTE 1: In addition to the MTS schedule preceding and the charges listed in Note 2. below, the following Pay Station Service Charges apply to each intraLATA non-sent paid message made over a pay telephone owned by a Utility or any other pay telephone provider, regardless of how the message was originated. All Interexchange Carriers are required to collect and remit the Pay Station Service Charge (Exception: Pay Station Service Charge will not apply to carrier access calls in connection with usage of a debit card.) (T)(L)

- 0+ IntraLATA Calls	\$ .25	(N)
- 1-800-xxx-xxxx carrier access calls, where the carrier completes an intraLATA carrier access call.	.25	
- 1-950-xxx carrier access calls, where the carrier completes an intraLATA carrier access call.	.25	
- 10-xxx carrier access calls, where the carrier completes an intraLATA carrier access call.	.25	
- 1-700-xxx-xxxx carrier access calls, where the carrier completes an intraLATA carrier access call.	.25	(N)

NOTE 2: In addition to the Dial Station Rate, the following service charges are applicable per message for Dial (Credit) Calling Card Station, Operator Station and Person Service: (T)(L)

Commercial Credit Card <sup>4</sup>	.35	(T)
Interexchange Carrier Calling/Credit Card	.35	
Utility's (Credit) Calling Card <sup>5</sup>	.35	
Utility's One Number Card <sup>5,6</sup>	.35	
Station - other	.95	
Person	2.95	

NOTE 3: In addition to the Coin Station sent-paid Rate, obtained above, the following service charges are applicable per message for Coin Station and Coin Person Service: (T)

Coin Station	\$0.20
Coin Person	\$2.95 (except COPT sent-paid)

NOTE 4: See Regulations 2.e. preceding. (T)

NOTE 5: The One Number Card is a card with restricted calling to the billed number or account. (T)

NOTE 6: Service Charge is discounted for subscribers of Call Bonus Wide Area Plans as specified in Schedule Cal.P.U.C. No. A6.3.4. (T)

NOTE 7: Also known as Local Plus. (T)(L)  
(L) Formerly on Sheet 11.

Continued